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**REPORT OF THE AUDIT OF THE
SIMPSON COUNTY
CLERK**

**For the Year Ended
December 31, 2006**

**Member Kentucky Society of CPA's
American Institute of Certified Public Accountants**

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Kathryn A. Thissen
Certified Public Accountant

The Honorable Jim Henderson, Simpson County Judge/Executive
Honorable Bobby C. Phillips, Jr., Simpson County Clerk
Members of the Simpson County Fiscal Court

Independent Auditor's Report

I have audited the accompanying statement of revenues, expenditures, and excess fees – regulatory basis of the County Clerk of Simpson County Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the County Clerk. My responsibility is to express an opinion on this financial statement based on my audit.

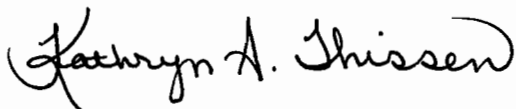
I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, I have also issued a report dated June 1, 2007, on my consideration of the County Clerk's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Simpson County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.



Kathryn A. Thissen
Certified Public Accountant

June 1, 2007

SIMPSON COUNTY
BOBBY C. PHILLIPS, JR., COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES – REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

| | | | |
|--|----|-----------|-----------|
| State Fees For Services | | \$ | 8,291 |
| Affordable Housing Trust Fund | | | 11,856 |
| Fiscal Court | | | 21,603 |
| Licenses and Taxes: | | | |
| Motor Vehicle- | | | |
| Licenses and Transfers | \$ | 439,236 | |
| Usage Tax | | 1,390,482 | |
| Tangible Personal Property Tax | | 1,215,719 | |
| Licenses- | | | |
| Fish and Game | | 5,508 | |
| Marriage | | 6,486 | |
| Deed Transfer Tax | | 87,074 | |
| Delinquent Tax | | 230,136 | 3,374,641 |
| Fees Collected for Services: | | | |
| Recordings- | | | |
| Deeds, Easements and Contracts | \$ | 13,708 | |
| Real Estate Mortgages | | 36,661 | |
| Chattel Mortgages and Financing Statements | | 55,283 | |
| Powers of Attorney | | 1,410 | |
| Notaries on Titles | | 5,674 | |
| All Other Recordings | | 24,377 | 137,113 |
| Other: | | | |
| Overpayments | \$ | 23,454 | |
| Copywork | | 9,479 | |
| Xerox Buyout Refund | | 4,204 | |
| Miscellaneous | | 1,728 | 38,865 |
| Interest Earned | | | 1,710 |
| Total Revenues | | \$ | 3,594,079 |

The accompanying notes are an integral part of this financial statement.

SIMPSON COUNTY
BOBBY C. PHILLIPS, JR., COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES – REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

| | | |
|--------------------------------|------------|--|
| Licenses and Transfers | \$ 338,292 | |
| Usage Tax | 1,347,579 | |
| Tangible Personal Property Tax | 428,551 | |

Licenses, Taxes, and Fees-

| | | |
|-------------------------------|--------------|--------------|
| Affordable Housing Trust Fund | 11,856 | |
| Fish and Game | 5,294 | |
| Delinquent Tax | 31,435 | |
| Legal Process Tax | 14,318 | |
| Marriage | <u>2,505</u> | \$ 2,179,830 |

Payments to Fiscal Court:

| | | |
|--------------------------------|---------------|---------|
| Tangible Personal Property Tax | \$ 138,269 | |
| Delinquent Tax | 32,268 | |
| Deed Transfer Tax | <u>82,720</u> | 253,257 |

Payments to Other Districts:

| | | |
|--------------------------------|----------------|---------|
| Tangible Personal Property Tax | \$ 596,506 | |
| Delinquent Tax | <u>110,717</u> | 707,223 |

Payments to Sheriff 1,722

Payments to County Attorney 33,526

Operating Expenditures :

| | | |
|----------------------------------|--|---------|
| Personnel Services- | | |
| Deputies Salaries | | 178,284 |
| Employee Benefits- | | |
| Employer's Share Social Security | | 17,603 |

The accompanying notes are an integral part of this financial statement.

SIMPSON COUNTY
BOBBY C. PHILLIPS, JR., COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES – REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Expenditures Continued)

Operating Expenditures:
(Continued)

| | | | |
|---|----|--------|--------------|
| Supplies and Materials- | | | |
| Office Supplies and Equipment | \$ | 32,568 | |
| Janitorial Supplies | | 16,565 | |
| Other Charges- | | | |
| Conventions and Dues | | 3,579 | |
| Refunds | | 19,692 | |
| Postage | | 5,646 | |
| Miscellaneous | | 14,296 | 92,346 |
| | | | |
| Total Expenditures | | | \$ 3,463,791 |
| Net Revenues | | | \$ 130,288 |
| Less: Statutory Maximum | | | 69,341 |
| | | | |
| Excess Fees | | | \$ 60,947 |
| Less: Expense Allowance | \$ | 3,600 | |
| Training Incentive Benefit | | 3,302 | 6,902 |
| | | | |
| Excess Fees Due County 2006 | | | \$ 54,045 |
| Payment to Fiscal Court - March 6, 2007 | | | 54,045 |
| | | | |
| Balance Due Fiscal Court at Completion of Audit | | | \$ 0 |

The accompanying notes are an integral part of this financial statement.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Hardware Rental Agreement

The office of the County Clerk entered into a rental agreement with Software Management for CCLIX 4-Terminal System, CCLIX-OptiMA 4-Terminal System, and Delinquent Tax 4-Terminal System on July 11, 2005. This rental agreement requires a monthly payment of \$925 for 60 months due on the 15th for the term. On November 27, 2006 an additional workstation for back indexing and public inquiry was installed. An additional 1-terminal system for CCLIX, CCLIX-OptiMA, and Delinquent Tax was also installed. The additional monthly payments are \$142 and \$125 respectively. This rental agreement is to be completed on July 10, 2010, and renewing automatically for additional one year terms thereafter at the rate in effect on such automatic renewal date, unless written notice received from either party 60 days prior to the renewal date.

Note 5. Lease Agreement

The County Clerk's office entered into a lease agreement for a Panasonic copier totaling \$14,229 on January 25, 2006. The agreement requires a monthly payment of \$237 for 60 months, to be completed on January 25, 2011. The total balance of the agreement was \$11,383 as of December 31, 2006.

Note 6. Libraries and Archives Grant

The office of the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archive during the prior year. There was no activity to this account during the year. The unexpended fund balance totaled \$9,393 at December 31, 2006.

Note 7. Deferred Compensation

Simpson County Clerk's full time employees are allowed to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 through 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by full time employees in the deferred compensation plans is voluntary.

Historical trend information showing Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due, is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Employees Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky 40601-8862, or by telephone at (502) 573-7925.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kathryn A. Thissen
Certified Public Accountant

The Honorable Jim Henderson, Simpson County Judge/Executive
Honorable Bobby C. Phillips, Jr., Simpson County Clerk
Members of the Simpson County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance and Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the statement of revenues, expenditures, and excess fees – regulatory basis of the Simpson County Clerk for the year ended December 31, 2006, and have issued my report thereon dated June 1, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Simpson County Clerk's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Simpson County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

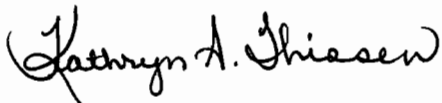
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in the internal control over financial reporting that I consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of The Financial Statement
Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Simpson County Clerk's financial statement for the year ended December 31, 2006, is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Simpson County Fiscal Court and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.



Kathryn A. Thissen
Certified Public Accountant

June 1, 2007